

TAB

TAB C

VOLUNTARY CONTRIBUTIONS REQUIRED TO PROVIDE ADDITIONAL
ANNUITY COMPARABLE TO ACCELERATED
SERVICE CREDIT IN FOREIGN SERVICE

1. General

- a. The Foreign Service grants Foreign Service officers $1\frac{1}{2}$ years' service credit for each year of service at unhealthy posts (prescribed by the President). The Foreign Service Retirement Unit automatically makes allowance for such additional credit when it reviews an employee's service record at the time of retirement. Accordingly, accelerated credit is always granted, barring the possibility of clerical error.
- b. Through the purchase of voluntary contributions, special benefits could be granted for overseas service in hardship areas on a basis comparable to that of the Foreign Service. For each two years of service at a hardship post, additional annuity equivalent to 1 year's service could be purchased.
- c. The annuity under the Foreign Service Retirement System is equal to 2% of an employee's average basic salary next preceding the date of his retirement (not to exceed \$13,500 per annum) multiplied by the years of service (not to exceed 30 years).

2. Example 1

a. Assumptions

- (1) Average salary for five highest consecutive years = \$8360
- (2) Age 55 and 30 years' service, including 10 years at a hardship post.

b. Basic annuity

- (1) Regular annuity, without special benefit

$$\$8,360 \times 1\frac{1}{2}\% = \$125.40 \times 30 \text{ (years' service)} = \$3762$$

- (2) Annuity by crediting 1 year's service for each two years at a hardship post

$$\$8,360 \times 1\frac{1}{2}\% = \$125.40 \times 35 \text{ (years' service including additional credit)} = \$4389$$

- (3) Difference between (1) and (2) above = \$ 627
- c. Contributions required to purchase additional annuity equal to (3) above = \$8957
- 3. Example 2
 - a. Assumptions
 - (1) Average salary for five highest consecutive years = \$4900
 - (2) Age 55 and 30 years' service, including 10 years at a hardship post
 - b. Basic annuity
 - (1) Regular annuity without special benefit
$$\$4900 \times 1\% = \$49 \div \$25 = \$74 \times 30 \text{ (years' service)}$$
= \$2220
 - (2) Annuity by crediting one year's service for each two years at a hardship post
$$\$4900 \times 1\% = \$49 \div \$25 = \$74 \times 35 \text{ (years' service, including additional credit)}$$
= \$2590
 - (3) Difference between (1) and (2) above = \$ 370
 - c. Contributions required to purchase additional annuity equal to (3) above = \$5286